Mblting exportation, but as American money declined to $1,95 in Mexican a new element of disturbance arose in the fear of the natives that it might continue to fall.[1]

The result of these conditions was a special investigation, under authority of the War Department, which resulted ultimately in the Act of March 2, 1903, establishing a gold-exchange standard in the Philippines.[2]

The principle of the gold-exchange standard as adopted in the Philippines was not unlike that of the system of British India after the changes of 1898, but in the Philippines conditions were much easier to control and the system was given a more definite and permanent form. When the amount of silver circulation becomes redundant, the redundancy is relieved by the sale on the part of the Treasury of drafts on gold deposits in New York, at rates only slightly in excess of the usual rates of exchange. This enables the holder of the coins to know that he can lay down their equivalent in gold in a foreign country, with only the usual charges for exchange, in substantially the same manner as he could export gold if gold were actually in circulation.[3]

The new system was introduced into the Philippines by the autumn of 1903, but the old coins were not entirely eliminated from circulation until an act had been passed by the Philippine Commission, imposing taxes on contracts and

[1] Details of these difficulties may be found in *Report of the Toft Philippine Commission,* January 25, 1901, I., 85-92.

*The author of the present work was designated by the Secretary of War to make this report and concurred substantially with the views of the Philippine Commission, that a gold-exchange standard should be established. There was division of opinion on the subject in Congress at the first session, in 1902, at which the report was submitted, which delayed action until the following session. See *Special Report on Coinage and Banking in the Philippine Islands, to the Secretary of War,* by Charles A. Conant, Washington, 1901.

[3] M. De*tieux foresees a possible danger in this system, arising from an *' unfavorable" balance of trade, which he believes would bring the local currency to the Treasury to buy foreign drafts because there was an insufficiency of offerings of commercial bills and might thereby impose a serious strain upon gold reserves,—La Question Monetaire en Indo-Chine, 281-83.